

## Message Text

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ACTION COME-00

INFO OCT-01 NEA-06 ISO-00 EB-07 RSC-01 L-02 TRSE-00

CIAE-00 INR-05 NSAE-00 OMB-01 /023 W

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R 191310Z NOV 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5312

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

AMCONSUL ISLAMABAD

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E. O. 11652: N/A

TAGS: BEXP, IN

SUBJ: GOI APPROVES MPEAA FILM IMPORT AGREEMENT

REF: NEW DELHI 7003

1. ON NOVEMBER 16 THE CABINET APPROVED A DRAFT FILM IMPORT AGREEMENT WHICH WILL ALLOW THE MOTION PICTURE EXPORT ASSOCIATION (MPEAA) TO IMPORT INTO INDIA 100 TO 150 FILMS ANNUALLY ON SLIGHTLY BETTER TERMS THAN THOSE OF PREVIOUS AGREEMENTS.

2. ACCORDING TO DENNIS PEREIRA, THE LOCAL MPEAA REPRESENTATIVE, THE AGREEMENT APPROVED BY THE CABINET IS ALMOST IDENTICAL TO THE DRAFT DESCRIBED IN REFTEL. THE ONLY DIFFERENCE ARE AS FOLLOWS:

A) THE TERM OF THE AGREEMENT WILL BE FOUR YEARS INSTEAD OF FIVE;

B) 45 PERCENT OF THE FILM EARNINGS ARE EARMARKED FOR LOCAL COSTS; 20 PERCENT FOR TRAVEL EXPENSES, AND 20 PERCENT FOR JOINT FILM VENTURES (ORIGINAL PROPOSAL WAS 50 PERCENT FOR LOCAL COSTS AND REMAINING 35 PERCENT FOR TRAVEL AND JOINT FILM VENTURES;

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C) THE GOI HAS AGREED TO A REMITTANCE OF 15 PERCENT

OF THE FILM EARNINGS (COMPARED TO 10 PERCENT IN PAST AGREEMENTS) BUT HAS PLACED A CEILING OF 333,000 ON THESE REMITTANCES (THE SAME LEVEL AS IN PREVIOUS AGREEMENTS);

D) THE AMOUNT OF SERVICE CHARGE PAYABLE TO THE GOVERNMENT FILM CORPORATION (2 1/2 PERCENT IN THE ORIGINAL DRAFT) HAS BEEN MADE "SUBJECT TO NEGOTIATION". PEREIRA SAYS THE GOI WILL HOLD OUT FOR A FIVE PERCENT COMMISSION, WHICH MPEAA WILL AGREE TO.

3. THE GOI HAS APPROVED IN PRINCIPLE THE SUPPLEMENTARY AGREEMENT WHICH CALLS FOR REMITTANCES ANNUALLY FROM PREVIOUS BLOCKED RUPEE BALANCES. THE AMOUNT TO BE REMITTED WILL BE DETERMINED EACH YEAR BY THE GOI, HOWEVER, AND WILL DEPEND ON THE FOREIGN EXCHANGE RESERVE POSITION.

4. COMMENT: ALTHOUGH ANNUAL REMITTANCES UNDER THE NEW AGREEMENT WILL PROBABLY NOT REACH THE \$700,000 FIGURE ENVISIONED BY MPEAA, THE APPROVED DRAFT DEFINITELY PROVIDES A BETTER DEAL FOR MPEAA THAN PREVIOUS AGREEMENTS. THE SIGNIFICANCE OF THE NEW AGREEMENT IS THAT (A) IT WILL RENEW THE FLOW OF US FILMS TO INDIA AT A HIGHER RATE OF RETURN; AND (B) IT TACKLES THE PROBLEM OF REDUCING PAST ACCUMULATIONS OF BLOCKED RUPEES. MOYNIHAN

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